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Message Text

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72
ACTION EUR-25

INFO OCT-01 ISO-00 SS-15 CIAE-00 PM-07 INR-10 L-03 NEA-10

NSAE-00 PA-03 RSC-01 PRS-01 SPC-03 USIA-15 TRSE-00

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C O N F I D E N T I A L USNATO 4844

E.O. 11652: GDS 12-31-79
TAGS: MCAP, NATO
SUBJECT: BURDENSHARING: STUDY GROUP'S REPORT TO NAC

REF: USNATO 4779; STATE 200507

SUMMARY: THIS MESSAGE REQUESTS APPROVAL OF NEW LANGUAGE WORKED OUT WITH THE FRG FOR PARA 13 OF AC/291-WP(73)1(2ND REVISE), AND INFORMAL FRG PROPOSAL TO REORDER PARAS ON BUDGETARY COSTS, AND REPORTS LIKELY FRG PROPOSAL TO DROP PARA 20 (BIS). WASHINGTON ACTION REQUESTED. UNLESS WE ARE INSTRUCTED OTHERWISE, WE ASSUME USNATO CAN ACCEPT, AT OCTOBER 15 MEETING OF BURDEN SHARING STUDY GROUP, DRAFT REPORT TO NAC (AC/291-WP(73)1(2ND REVISE) INCLUDING REVISED PARA 13 AND TABLE I (SEE STATE 200507), AND REORDERING OF PARAS ON BUDGETARY COSTS. WE PLAN TO INSIST THAT PARA 20 (BIS) REMAIN IN REPORT TO NAC. IF PARA 20 (BIS) IS SUBJECT TO HEAVY OPPOSITION, WE PLAN, AS A FALLBACK POSITION, TO INSIST ON ITS INCLUSION AS A U.S. VIEW. END SUMMARY

1. USNATO CIRCULATED ON OCTOBER 5, IN A LETTER FROM U.S. DEFENSE ADVISOR (PRENDERGAST) TO CHAIRMAN OF BURDEN SHARING STUDY GROUP (HUMPHREYS), SUGGESTED CHANGES TO PARA 13 OF AC/291-WP(73)1(2ND CONFIDENTIAL

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REVISE) (LETTER HANDCARRIED TO WASHINGTON BY COL ACKERSON, OSD/ISA). MISSION WAS INFORMED BY FRG DELEGATION THAT US PROPOSED LANGUAGE WAS NOT ACCEPTABLE. HENCE, USNATO HAS DRAFTED NEW LANGUAGE FOR PARA 13 (WHICH FRG REP BELIEVES HIS AUTHORITIES CAN

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ACCEPT). REVISED PARA 13 FOLLOWS:

"IN 1972, TOTAL UNITED STATES EXPENDITURES ENTERING ITS BALANCE OF PAYMENTS ON MILITARY ACCOUNT WITH EUROPEAN NATO COUNTRIES AMOUNTED TO SOME US $2,170 MILLION. CASH RECEIPTS FROM MILITARY TRANSACTIONS WITH SUCH COUNTRIES UNDER GOVERNMENT-TO-GOVERNMENT AGREEMENTS AMOUNTED TO US $696 MILLION. ON THIS BASIS, THE NET U.S. BALANCE OF PAYMENTS DEFICIT ON MILITARY ACCOUNT WITH NATO EUROPE IN THAT YEAR WAS US $1,474 MILLION. THE UNITED STATES RECOGNIZED THAT ITS ACCOUNTS DO NOT, EXCEPT IN THE CASE OF THE FEDERAL REPUBLIC OF GERMANY, INCLUDE RECEIPTS FROM THE SALE OF MILITARY EQUIPMENT TO OTHER NATIONS IN DIRECT COMMERCIAL ARAANGE-MENTS BETWEEN SUCH GOVERNMENTS AND PRIVATE AMERICAN FIRMS. DATA FURNISHED BY THE EUROPEAN MEMBERS OF NATO INDICATE THAT SUCH PURCHASES ADDED $171 MILLION TO THE CASH RECEIPTS OF THE U.S. ON MILITARY ACCOUNT IN 1972, REDUCING THE DEFICIT IN THIS ACCOUNT TO APPROXIMATELY $,300 MILLION. THE PORTION OF EXPENDITURES INCURRED IN THE FEDERAL REPUBLIC OF GERMANY IS CONSIDERED AS FULLY OFFSET BY THE PROVISIONS OF THE US-GERMAN OFFSET AGREEMENT OF 10TH DECEMBER, 1971 (SEE DETAILS IN PARAS 23 TO 25). HOWEVER, TO THE EXTENT THAT THE US-GERMAN OFFSET AGREEMENTS HAVE INCLUDED LOAN ARRANGEMENTS, IT IS CLEAR IN THE UNITED STATES' VIEW THAT BECAUSE OF THE REPAYMENT PROVISION OF THE LOANS THE LOAN ARRANGEMENTS PROVIDE ONLY TEMPORARY RELIEF AND THAT IT WOULD BE DESIRABLE TO FIND A MORE SATISFACTORY LONGER TERM SOLUTION".

2. AT OCTOBER 15 MEETING OF STUDY GROUP, FRG INTENDS TO PROPOSE A REORDERING OF PARAS IN AC/291-WP(73)1(2ND REVISE) DEALING WITH BUDGETARY COSTS. FRG HOPES U.S. AND REST OF STUDY GROUP WILL AGREE THAT SECTION ON "ADDITIONAL BUDGETARY EXPENDITURES INCURRED BY THE STATIONING OF U.S. FORCES IN EUROPE" (PARAS 21 AND 22) AND SECTION ON "FINANCIAL ASPECTS OF THE AGREEMENTS FOR STATION-ING U.S. FORCES IN EUROPEAN COUNTRIES" (PARA 26) CAN BE LUMPED UNDER A NEW HEADING "BUDGETARY ASPECTS" AND PLACED AFTER PARAS COVERING BALANCE OF PAYMENTS ASPECTS (PARAS 13 TO 20(BIS), 23 TO 25, AND 27 TO 30). MISSION WILL ACCEPT THIS CHANGE UNLESS CONFIDENTIAL

INSTRUCTED TO THE CONTRARY.

3. DURING DUSCUSSIONS OF DRAFT REPORT TO NAC BETWEEN DEPUTY DEFENSE ADVISOR (GEN BOWMAN) AND FRG REP TO STUDY GROUP (MASSBERG), FRG REP REITERATED THAT IN FRG VIEW, THERE IS NO SUCH THING AS A STRICTLY MILITARY BOP DEFICIT; IN GERMAN VIEW, ONCE U.S. ACHIEVES A SURPLUS IN ITS BASIC BOP ACCOUNT, THERE WOULD BE NO REQUIREMENT TO OFFSET A MILITARY BOP DEFICIT. FRG REP FURTHER ARGUED THAT NAC 1957 RESOLUTION ON "THE COMMON SOLUTION OF CURRENCY PORBLEMS ARISING FROM THE STATIONING OF FORCES IN OTHER MEMBER COUNTRIES" (C-M(57)112) SUPPORTS FRG POSITION ON NO SEPARATE MILITARY BOP DEFICITS IF OVERALL BALANCE IS A PLUS. IN THIS CONNECTION, FRG REP SAID GERMANY MOST

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LIKELY WOULD ASK AT OCTOBER 15 STUDY GROUP MEETING FOR PARA 20(BIS) TO BE DROPPED FROM AC/291-WP(73)1(2ND REVISE). US COUNTERED THAT MILITARY BALANCE ISSUE IS A MAJOR THREAT TO US ABILITY TO MAINTAIN FORCES IN EUROPE AND THAT ISSUE SHOULD BE DEALT WITH AND ELIMINATED. US REP ARGUED THAT IF PROBLEMS AROSE WITH THE OVERALL BALANCE OF PAYMENTS, THEY COULD BE DEALT WITH AS ECONOMIC PROBLEMS; THE IMPORTANT THING WAS TO PREVENT THE ISSUE OF MILITARY BALANCE OF PAYMENT DEFICITS FROM BEING A THREAT TO THE VIABILITY OF NATO DEFENSES. UNLESS INSTRUCTED OTHERWISE, MISSION WILL INSIST ON INCLUSION OF PARA 20(BIS) IN THE STUDY GROUP REPORT, AT LEAST AS A US VIEW. RUMSFELD

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